

B & H Gas Company

RECEIVED

NOV 17 2004

**PUBLIC SERVICE
COMMISSION**

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

November 10, 2004

RE: Case No. 2004-00449

Dear Ms. O'Donnell:

I have enclosed an original and four copies of B & H Gas Company's purchased gas adjustment filing proposing rates to be effective December 1, 2004. Because I was not able to file this application concurrent with the October 1, 2004 rate increase to B & H Gas Company, I respectfully request a waiver of the 30-day notice requirement so that B & H's loss of gas cost coverage will be minimal.

Sincerely,



Bud Rife

B & H Gas Company
Cost of Gas Purchases Based on Wholesale Rates
Effective October 1, 2004

Purchased gas adjustment filing reflects changes in rates to be effective December 1, 2004 based on supplier rates effective October 1, 2004 calculated on purchases** from October 1, 2003 through September 30, 2004.

<u>Supplier</u>	<u>Mcf</u>	<u>Rate/Mcf</u>	<u>Cost of Purchases</u>
Cost effective October 1, 2000			
B & S Oil And Gas Co.	21,984	\$6.00	\$131,904
Cost effective October 1, 2004			
B & S Oil	21,984	\$7.00*	\$153,888
Increase in rates		\$1.00	

*Attached is a copy of the October 1, 2004 agreement between B & H and B & S Oil and Gas Company ("B & S). The increased rate reflects the significantly higher price market conditions for natural gas around the country. The rate is lower than the each of the current twelve months of NYMEX natural gas futures prices (attached). NYMEX prices are prone to wide fluctuations from week to week. B & H is aware that Columbia Gas of Kentucky's IUS rate is currently \$8.5193 per Mcf, and that Equitable Gas Company's most current expected gas cost is \$9.7293. B & H believes B & S' contract rate to be very reasonable in comparison. Through the contract with B & S, B & H will have the benefit of a fixed price through the heating season while gas costs around the country are predicted to rise in the coming months. B & S has not increased its rate to B & H in four years.

**Mcf sales volume for B&H is used for the purchase volume because line loss is so minimal.

Refresh

Click Refresh If Wrong Date or Illegible

<u>Natural Gas NYMEX Volume</u>			<i>Enerfax Daily</i> - Section 8 - November 5, 2004		
<u>Month</u>	<u>Volume</u>	<u>Open Int.</u>	<u>NYMEX NATURAL GAS FUTURES</u>		
Dec '04	27588	66327	Tracked 11/4/04		
Jan '05	9283	49349	NYMEX Natural Gas Futures		
Feb '05	6090	28710	03 Month Strip	8.6923	-0.5110
Mar '05	2897	27079	06 Month Strip	8.1857	-0.3541
Apr '05	1623	20231	12 Month Strip	7.6823	-0.2197
May '05	1056	18906	18 Month Strip	7.5881	-0.1730
Jun '05	203	11791	Month	Open	High
Jul '05	194	14809	DEC	8.740	8.750
Aug '05	165	11892	JAN	9.370	9.400
Sep '05	91	10665	FEB	9.400	9.470
Oct '05	440	16740	MAR	8.920	8.970
Nov '05	98	8521	APR	7.450	7.490
Dec '05	95	10516	MAY	7.120	7.150
Jan '06	5	12109	JUNE	7.150	7.170
Feb '06	43	8274	JULY	7.160	7.180
Mar '06	113	9694	AUG	7.230	7.230
Apr '06	34	8267	SEPT	7.160	7.170
May '06	127	7619	OCT	7.205	7.205
Jun '06	27	3218	Nov	7.560	7.560
Jul '06	141	3902			
Aug '06	21	3231			
Sep '06	6	2363			
Oct '06	6	4461			
Nov '06	2	2365			



Proposed Rates:

First 2 Mcf (minimum bill)	\$18.7938
Next 8 Mcf	8.9788
Next 20 Mcf	8.5611
Next 30 Mcf	8.3103

P.S.C.Ky. No.
Cancels P.S.C Ky. No.

B & H Gas Company

OF
Stanville, Kentucky 41659

Rates, Rules and Regulations For Furnishing Gas

AT

Tram, Ivel, Stanville, Betsy Layne and Mare Creek

**Filed With Public Service Commission Of
Kentucky**

Issued November 10, 2004 Effective December 1, 2004

**Issued By B & H Gas Company
By Bud Rife *Bud Rife*
President / Manager**

B. & S. Oil & Gas Company
P.O. Box 155
Harold, KY 41635

AGREEMENT

THIS AGREEMENT, Made and entered into this 1st. day of October, 2004 by and between B.& S. Oil & Gas Company of Harold, Kentucky, and B. & H. Gas Company, a Kentucky Corporation of Stanville, Kentucky.

WHEREAS, B. & S. Oil & Gas Company is the owner of producing gas wells,
and

WHEREAS, the B. & H. Gas Company is desirous of purchasing gas for resale in the Floyd and Pike county areas.

IT IS NOW, THEREFORE AGREED, by and between the parties that in consideration of the sum of seven dollars (\$7.00) per MCF, B. & S. Oil & Gas Company will sell to B. & H. Gas Company, a Kentucky Corporation, such amount of natural gas as the B. & H. Gas Company may desire provided the said B. & S. Oil & Gas Company have such amount of natural gas available.

B. & H. Gas Company is to accept delivery of said gas at the metering point of each of the producing wells which B. & S. Oil & Gas Company own and said B. & H. Gas Company shall be responsible for maintaining the lines from the metering point.

It is understood that B. & S. Oil & Gas Company agree to furnish gas up to the extent of the production available at such wells which are or may hereafter be connected to the lines of B. & H. Gas Company.

Payments shall be made no later than the 20th of each month following the month in which the gas is delivered.

The terms of this agreement shall be for one (1) year from the date of execution of this agreement. At the expiration of one (1) year, the parties hereto may negotiate another sales agreement.


Bud Rife
B. & S. Oil & Gas Company


Bud Rife, President
B. & H. Gas Company

U.S. POSTAGE
PAID
HAROLD, KY
41635
NO. 16-04
PAID UNIT

\$1.75
00083-49-0-



40602



0000

RECEIVED
NOV 17 2004
PUBLIC SERVICE
COMMISSION

16 Beth O'Donnell, Esq. Dir
Ky. Public Service Commission
211 Lower Blvd.
P.O. Box 615
Frankfort, Ky. 40602

B & H GAS COMPANY
P.O. BOX 339
HAROLD, KY 41635